

**REPORT OF THE AUDIT OF THE
MARSHALL COUNTY
SHERIFF**

**For The Year Ended
December 31, 2009**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MARSHALL COUNTY SHERIFF

**For The Year Ended
December 31, 2009**

The Auditor of Public Accounts has completed the Marshall County Sheriff's audit for the year ended December 31, 2009. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$9,148 from the prior year, resulting in excess fees of \$7,742 for calendar year 2009. Revenues decreased by \$661 from the prior year and expenditures increased by \$8,487.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Mike Miller, Marshall County Judge/Executive
The Honorable Kevin Byars, Marshall County Sheriff
Members of the Marshall County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Marshall County, Kentucky, for the year ended December 31, 2009. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 6, 2010 on our consideration of the Marshall County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Mike Miller, Marshall County Judge/Executive
The Honorable Kevin Byars, Marshall County Sheriff
Members of the Marshall County Fiscal Court

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Marshall County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

July 6, 2010

MARSHALL COUNTY
KEVIN BYARS, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2009

Revenues

Federal Grants:

Methamphetamine Grant	\$ 20,000	
Highway Safety Grant	17,759	
Federal Emergency Management Assistance	53,121	
Byrne Memorial JAG Program	<u>17,345</u>	\$ 108,225

State Grants:

Body Armor Grant		1,008
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State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		71,690
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State Fees For Services:

Finance and Administration Cabinet	18,182	
Bailiff Security Fees	80,074	
Sheriff Security Service	29,072	
Cabinet for Health and Family Services	<u>700</u>	128,028

Circuit Court Clerk:

Fines and Fees Collected		22,643
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Fiscal Court		203,643
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County Clerk - Delinquent Taxes		32,323
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Board of Education:

School Resource Officer		36,365
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Commission On Taxes Collected		716,923
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Fees Collected For Services:

Auto Inspections	13,230	
Accident and Police Reports	1,992	
Sheriff's Add-on Fees	81,782	
Serving Papers	54,370	
Carrying Concealed Deadly Weapon Permits	7,160	
Transporting	<u>14,074</u>	172,608

The accompanying notes are an integral part of this financial statement.

MARSHALL COUNTY
 KEVIN BYARS, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

Revenues

Other:

Auction Sales	\$	8,450	
Insurance Reimbursements		11,279	
Reimbursements for Extra Patrols		16,955	
Miscellaneous		<u>2,803</u>	\$ 39,487

Interest Earned 1,924

Borrowed Money:

State Advancement 74,160

Total Revenues 1,609,027

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	760,736
Part-Time Salaries		145,744
Other Salaries - KLEFPF		54,599
Overtime		159,329

Employee Benefits-

Employer's Share Social Security	3,842
Employer's Share Hazardous Duty Retirement	17,231

Contracted Services-

Advertising	1,782
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Materials and Supplies-

Office Materials and Supplies	10,114
Uniforms	3,577
Court Security Supplies	4,950
Deputies' Supplies	41,355

Auto Expense-

Gasoline	70,039
Maintenance and Repairs	47,672
Vehicle Equipment	7,726

The accompanying notes are an integral part of this financial statement.

MARSHALL COUNTY
 KEVIN BYARS, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Other Charges-

Bond	\$	1,726
Canine Expense		298
Civil Process		10,880
Convention and Travel		15,523
Dues		2,993
Miscellaneous		13,020
Postage		13,957
Transporting Prisoners		11,431

Capital Outlay-

Office Equipment		15,700
Rifles (Byrne Memorial JAG Program)		17,345
Vehicles	10,883	\$ 1,442,452

Debt Service:

State Advancement	74,160
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Total Expenditures	\$ 1,516,612
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Net Revenues	92,415
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Less: Statutory Maximum	82,026
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Excess Fees	10,389
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Less: Training Incentive Benefit	2,647
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Excess Fees Due County for 2009	7,742
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Payment to Fiscal Court - February 16, 2010	7,742
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Balance Due Fiscal Court at Completion of Audit	\$ 0
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The accompanying notes are an integral part of this financial statement.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2009 services
- Reimbursements for 2009 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2009

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months of the year.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to the plan to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 29.50 percent for the first six months and 32.97 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 3. Deposits

The Marshall County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Marshall County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Drug Forfeiture Account

The Marshall County Sheriff's office maintains a Drug Forfeiture Account. The account is funded by court-ordered forfeitures of money and/or property, and interest received on these deposits. The funds are to be used for various law enforcement operations, equipment and education to fight against drug problems in Marshall County. As of January 1, 2009, the Drug Forfeiture Account had a balance of \$3,653. During the year, funds totaling \$19,971 were received and \$15,366 was expended, leaving a balance of \$8,258 as of December 31, 2009.

Note 5. Drug Awareness Resistance Education Account

The Marshall County Sheriff's office maintains a Drug Awareness Resistance Education (DARE) account for the promotion of drug awareness and prevention in the elementary schools. Funding for the DARE program is provided primarily by donations made to the United Fund Drive of Calvert City, and interest earned on the deposit of these funds. As of January 1, 2009, the DARE account had a balance of \$2,276. During the year, funds totaling \$1,149 were received and \$1,837 was expended, leaving a balance of \$1,588 as of December 31, 2009.

Note 6. Donation Account

In December 2007, the Marshall County Sheriff's office established a donation account as authorized by KRS 61.310(8). This account is used to account for donations from local businesses or other organizations and interest earned on the deposit of these funds. As of January 1, 2009, the Donation account had a balance of \$1,256. During the year, funds totaling \$2,804 were received and \$300 was expended, leaving a balance of \$3,760 as of December 31 2009.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 7. Kentucky Law Enforcement Foundation Program Fund

The Marshall County Sheriff's office participates in the Kentucky Law Enforcement Foundation Program Fund (KLEFPF). This program, administrated by the Kentucky Justice Cabinet, is designed to provide adequate training to the sheriff deputies. During the year, the Marshall County Sheriff's office received \$71,690 from this program.

Note 8. Methamphetamine Grant

The Marshall County Sheriff's office has entered into an interlocal agreement with the Pennyriple Narcotics Task Force, which was awarded a methamphetamine grant. During the year, the Marshall County Sheriff's office received grant funds of \$20,000 for reimbursements on deputy's salaries. As of December 31, 2009, the Marshall County Sheriff's office was in compliance with the terms of the grant agreement.

Note 9. Highway Safety Grant

The Marshall County Sheriff's office received a Highway Safety Grant from the Kentucky Transportation Cabinet, Office of Highway Safety in the amount of \$17,759. The grant funds were used to assist in dealing with highway safety issues, more specifically, alcohol countermeasures. As of December 31, 2009, the Marshall County Sheriff's office was in compliance with the terms of the grant agreement.

Note 10. Federal Emergency Management Assistance

The Marshall County Sheriff's office received \$53,121 from the Marshall County Fiscal Court for reimbursements from the Federal Emergency Management Assistance. These reimbursements were for the ice storm that hit Marshall County in February 2009.

Note 11. Department of Justice - Byrne Memorial Justice Assistance Grant

The Marshall County Sheriff's office received a Byrne Memorial Justice Assistance Grant from the Department of Justice in the amount of \$20,164. The Marshall County Sheriff's office expended \$17,345 of these grant funds for seventeen new rifles. Grant funds of \$2,819 remain to be expended as of December 31, 2009. As of December 31, 2009 the Marshall County Sheriff's office was in compliance with the terms of the grant agreement.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 12. Department of Justice - Congressionally Selected Grant

In September 2009, the Marshall County Sheriff's office was awarded a Congressionally Selected Grant from the Department of Justice in the amount of \$400,000. These grant funds should be used to purchase tactical, video/audio, and security and surveillance equipment for the sheriff's deputies. As of December 31, 2009, the Marshall County Sheriff's office has not received nor expended any funds from this grant.

Note 13. American Recovery and Reinvestment Act - Port Security Grant

In September 2009, the Marshall County Sheriff's office was awarded an American Recovery and Reinvestment Act - Port Security Grant from the Department of Homeland Security in the amount of \$184,242. These funds should be used to purchase a patrol boat, trailer and truck to transport the boat. As of December 31, 2009, the Marshall County Sheriff's office has not received nor expended any funds from this grant.

Note 14. Homeland Security Grant - Federal Emergency Management Assistance

In November 2009, the Marshall County Fiscal Court was awarded an Equipment Grant from the Department of Homeland Security in the amount of \$43,362. These funds should be used to purchase a repeater and a minimum of ten mobile radios and 10 portable radios for the purpose of enhancing communication capabilities. The equipment will be distributed between the Marshall County Sheriff's office and the Benton City Police Department. As of December 31, 2009, no funds have been received nor expended for this grant.

Note 15. Subsequent Event - Community Orientation Policing Grant - Technology Program

In March 2010, the Marshall County Sheriff's office was awarded a Community Orientation Policing Grant - Technology Program from the Department of Justice in the amount of \$250,000. These funds should be used to update law enforcement equipment.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Mike Miller, Marshall County Judge/Executive
The Honorable Kevin Byars, Marshall County Sheriff
Members of the Marshall County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Marshall County Sheriff for the year ended December 31, 2009, and have issued our report thereon dated July 6, 2010. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marshall County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Marshall County Sheriff's financial statement for the year ended December 31, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Marshall County Fiscal Court, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

July 6, 2010

